



Gold vs. Dividend Stocks: How to Have Both in Your TFSA!

Description

Your [TFSA](#) (Tax-Free Savings Account) should be reserved for your top risk-adjusted investment ideas at any given time. Right now, with stock markets in the gutter, and the bear roaring ferociously in the U.S. market, now seems like a good time to go on the hunt for dividend stocks at discounts to their traditional valuations.

Many cautious investors may be looking to gold or high-yielding dividend stocks as we head into a potential recession year. Indeed, it's never a bad idea to be a cautiously optimistic buyer of stocks. This bear market has continued to punish dip buyers of the fast-falling knives in the tech sector. As investors learn that quick gains are no longer part of the deal, we could see the last of the impatient being taken out of the market.

From “wretched excess” to Fed-mandated restraint

Indeed, “wretched excess,” as [Warren Buffett's](#) business partner Charlie Munger put it last year, seems to have been drained out of the markets. I think such excesses of 2021 have caused an opposite scenario as we march closer to 2023. There's just not nearly as much cash chasing hot stocks anymore. Easy money has become hard. And firms that don't make the dough could continue to be punished, as rates climb higher.

Eventually, the tides will turn, but I think investors who play the long game will do better than those chasing short-term bounces. Your TFSA was never meant for trading. It's meant to build a nest egg over years and decades.

Dividend stocks vs. gold: Why not have the best of both worlds in your TFSA?

In this piece, we'll have a closer look at two Canadian stocks that can allow you to have all the benefits of gold ownership alongside a bountiful dividend yield. In a way, gold stocks with dividends can be like having your cake and eating it, too.

When it comes to bountiful gold miners, stick with the heavyweights and steer clear of the junior players. Bigger isn't always better, but when it comes to the miners, I think fortune favours the behemoths.

Top TFSA stock pick #1: Barrick Gold

Barrick Gold ([TSX:ABX](#)) is a wonderful gold miner that sports a 2.55% dividend yield. Undoubtedly, the swollen yield is the result of substantial capital losses in recent quarters. The stock is off around 48% from its all-time high near \$40 per share. Indeed, it's a long way from the top amid the steady decline in the price of gold.

As gold continues to sink on fears of higher rate increases, many may question the viability of gold as a portfolio diversifier. The gold trade has simply not worked out. Given how oversold gold and their miners are, I think there's room for relief, as we head into a recession year that could see the Federal Reserve hit the pause button.

Hoping the Fed does or doesn't do something is never a good idea. However, for long-term thinkers lacking precious metal exposure, I think Barrick is a screaming bargain at 14.2 times trailing price-to-earnings (P/E) ratio.

Top TFSA stock pick #2: Agnico Eagle Mines

Agnico Eagle Mines ([TSX:AEM](#)) is another well-run gold miner that's oversold beyond belief. Shares are down 48% from their highs. At 23.8 times trailing P/E, with a huge 3.71% dividend yield, AEM stock seems like one of the most enticing plays in the metals basket these days.

Credit Suisse seems to think so. It named Agnico Eagle its top pick in the precious metals industry just over a week ago. The Kirkland Lake merger could pay major dividends, as the firm looks to realize potential synergies. Credit Suisse also notes of the firm's impressive production profile and FX tailwinds that could help the stock surge out of its rut. Those are all solid points in my books.

For passive-income seekers looking for lowly correlated returns, it's tough to match Agnico.

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